

Message Text

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FM AMCONSUL HONG KONG

TO SECSTATE WASHDC 6156

INFO USLO PEKING

AMEMBASSY TAIPEI

AMEMBASSY TOKYO

CINCPAC

C O N F I D E N T I A L HONG KONG 8685

NOFORN

CINCPAC FOR POLAD

E.O. 11652: ZGDS-1

TAGS: PINT SOCI CH

SUBJECT: PROFITEERING IN A KWANGTUNG TOWN

1. SUMMARY: THE SON OF A RICH OVERSEAS CHINESE WHO DEPARTED CHINA ILLEGALLY IN MAY 1975 DESCRIBES WIDESPREAD PROFITEERING ENTERPRISE AND LOCAL GOVERNMENT INACTIVITY IN A KWANGTUNG TOWN. THE STORY OF THIS RECENT EXITEE IS VALUABLE FOR ITS PORTRAYAL OF THE PROBLEM WHICH LOCAL ADMINISTRATION FACE IN CURBING "ILLEGAL ACTIVITIES" WHICH SOMEHOW STILL SERVE A PURPOSE AND NEED IN CHINA. WITH THE PRC ENGAGED IN A NATIONWIDE CAMPAIGN TO ERDICATE THESE "BOURGEOIS" ABUSES AND TO RESTRICT "BOURGEOIS" RIGHTS," THE DETAILED PICTURE OF THIS TWON IN KWNAGTUNG IS EVEN MORE SIGNIFICANT (OIR 3498/2/75.) END SUMMARY

2. ACCORDING TO SOURCE, THE TOWN OF HAIFENG HAS AN URBAN POPULATION OF 30,000-35,000, BECAUSE THERE WAS LITTLE SPACE FOR INDUCTIRIAL DEVELOPMENT EVEN AMONG YOUNG MALE
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RESIDENTS WITH GOOD FAMILY BACKGROUNDS, APPROXIMATELY 2500

WERE UNEMPLOYED. THOSE WITH UNDESIRABLE FAMILY BACKGROUNDS WERE BARRED FROM REGISTERING FOR JOBS.

3. THE MOST COMMON FORM OF PROFITEERING HE DESCRIBED WAS THE PURCHASE OF NON-GOVERNMENT CONTROLLED FOODSTUFFS IN ONE AREA FOR RESALE AT A PROFIT IN ANOTHER AREA. IN JANUARY 1973 SOURCE HIMSELF BECAME INVOLVED IN SUCH ACTIVITY AND ESTIMATED THERE WERE 400 OTHERS SIMILARLY ENGAGED. SOURCE, FOR EXAMPLE, WOULD PURCHASE SWEET POTATOES IN A RURAL AREA FOR 6-7 YUAN PER PICUL AND RESELL THEM TO RETAILERS IN HAIFENG FOR 8-8.5 YUAN. WHITE CABBAGE WAS RESOLD AT A PROFIT OF ANYWHERE FROM 1-4 YAN PER UNIT.

4. AS ANOTHER EXAMPLE BECAUSE LONG-DISTANCE BUS SERVICE WAS INADEQUATE, PEOPLE IN HAIFENG OFTEN RENTED BICYCLES FROM A LEGAL BICYCLE STATION. HOWEVER, WHEN FOODSTUFF TRAFFICKERS FOUND THEIR BUSINESS TOO COMPETITIVE THEY UNDERCUT THE BICYCLE STATION BY RENTING OUT THEIR OWN BICYCLES AT A LOWER FEE.

5. THOSE CAUGHT TRAFFICKING IN GOVERNMENT-CONTROLLED ITEMS SUCH AS RICE, SUGAR, SLAT AND CLOTHING WERE SUBJECT TO ARREST, BUT THE ACTIVITY WAS HIGHLY PROFITABLE. THOSE INVOLVED WERE MAINLY OF GOOD FAMILY BACKGROUND WHICH ASSURED THEM OF A CERTAIN DEGREE OF PROTECTION IF CAUGHT IN THE ACT. INTERESTINGLY, FROM THE SOURCE'S DESCRIPTION, THE HAIFENG COUNTRY GOVERNMENT MADE NO MOVE TO ERADICATE PROFITEERING ACTIVITIES. THE LOCAL POLICY SEEMED TO BE TO ALLOW THE ACTIVITIES TO CONTINUE AND TO TAKE A SHARE NOW AND THEN THROUGH CONFISCATION OF GOODS AND IMPOSITION OF FINES.

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